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Washington, D.C. 20505

National Intelligence Council

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1 May 1986MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central IntelligenceFROM:
Acting NIO for Economics

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SUBJECT: Hard Currency Limitations on the Response
to the Chernobyl Disaster

1. We can expect Gorbachev soon to come under pressure by neighboring countries to shut down all nuclear reactors similar in design to the units at Chernobyl. While Gorbachev may have been able to consider such an option only two years ago when foreign exchange earnings were much higher, the squeeze of lower oil and gas prices effectively precludes this option.

- Each 1,000 MW reactor replaces the equivalent of 25,000 b/d of fuel oil worth about \$130 million per year at current market prices.
- The loss of the four units at Chernobyl, hence, already costs the USSR \$500 million per year. (Even if power is rationed rather than replaced by oil-fired capacity, indirect economic losses would presumably be equally high.)
- It would cost the USSR nearly 500 thousand b/d in fuel oil at a cost of \$2.5 billion annually to shut down all reactors of similar design, causing a drop in oil exports of roughly 40 percent.

2. Looking further ahead, hard currency considerations will also play a role in decisions relating to food. Should the damage to farmland prove widespread, the decision on determining levels of contamination acceptable for distributing food absent an ability to pay for substantial imports will be a difficult one. EC countries may well offer substantial "emergency" credits for such supplies given their surpluses in production. The Soviet bureaucracy, however, might opt to distributing tainted food before taking up such an offer.

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